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HOUSE BILL 786

44TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1999

INTRODUCED BY

Jerry Sandel

AN ACT

RELATING TO TAXATION; CREATING THE RURAL JOB TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. TAX CREDIT--RURAL JOB TAX CREDIT. --

A. The tax credit created by this section may be referred to as the "rural job tax credit". Until June 30, 2004, every eligible employer may apply for, and the taxation and revenue department may allow, a tax credit for each qualifying job the employer creates in the period beginning July 1, 1999 and ending June 30, 2003.

B. The amount of the rural job tax credit shall be six and one-fourth percent of the first sixteen thousand dollars (\$16,000) in wages paid for the qualifying job in a qualifying period. The rural job tax credit may be claimed for each qualifying job for a maximum of:

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1 (1) four qualifying periods for each  
2 qualifying job performed or based at a location in a tier one  
3 area; and

4 (2) two qualifying periods for each  
5 qualifying job performed or based at a location in a tier two  
6 area.

7 C. As used in this section:

8 (1) "eligible employee" means any individual  
9 other than an individual who:

10 (a) bears any of the relationships  
11 described in Paragraphs (1) through (8) of 26 U.S.C. Section  
12 152(a) to the employer or, if the employer is a corporation,  
13 to an individual who owns, directly or indirectly, more than  
14 fifty percent in value of the outstanding stock of the  
15 corporation or, if the employer is an entity other than a  
16 corporation, to any individual who owns, directly or  
17 indirectly, more than fifty percent of the capital and profits  
18 interests in the entity;

19 (b) if the employer is an estate or  
20 trust, is a grantor, beneficiary or fiduciary of the estate or  
21 trust or is an individual who bears any of the relationships  
22 described in Paragraphs (1) through (8) of 26 U.S.C. Section  
23 152(a) to a grantor, beneficiary or fiduciary of the estate or  
24 trust; or

25 (c) is a dependent, as that term is

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1 described in 26 U. S. C. Section 152(a) (9), of the employer or,  
2 if the taxpayer is a corporation, of an individual who owns,  
3 directly or indirectly, more than fifty percent in value of  
4 the outstanding stock of the corporation or, if the employer  
5 is an entity other than a corporation, of any individual who  
6 owns, directly or indirectly, more than fifty percent of the  
7 capital and profits interests in the entity or, if the  
8 employer is an estate or trust, of a grantor, beneficiary or  
9 fiduciary of the estate or trust;

10 (2) "eligible employer" means an employer  
11 who has been awarded in-plant training assistance pursuant to  
12 Section 21-19-7 NMSA 1978;

13 (3) "metropolitan statistical area" means a  
14 metropolitan statistical area in New Mexico as determined by  
15 the United States bureau of the census;

16 (4) "modified combined tax liability" means  
17 the total liability for the reporting period for gross  
18 receipts tax imposed by Section 7-9-4 NMSA 1978 together with  
19 any tax collected at the same time and in the same manner as  
20 that gross receipts tax, such as the compensating tax, the  
21 withholding tax, the interstate telecommunications gross  
22 receipts tax, the surcharges imposed by Section 63-9D-5 NMSA  
23 1978 and the surcharge imposed by Section 63-9F-11 NMSA 1978,  
24 minus the amount of any credit other than the rural job tax  
25 credit applied against any or all of these taxes or

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1 surcharges; but "modified combined tax liability" excludes all  
2 amounts collected with respect to local option gross receipts  
3 taxes;

4 (5) "qualifying job" means a job:

5 (a) established by an employer who has  
6 been awarded in-plant training assistance; and

7 (b) occupied by an eligible employee  
8 for at least forty-eight weeks of a qualifying period;

9 (6) "qualifying period" means the period of  
10 twelve months beginning on the day an eligible employee begins  
11 working in a qualifying job or the period of twelve months  
12 beginning on the anniversary of the day an eligible employee  
13 began working in a qualifying job;

14 (7) "rural area" means any part of the state  
15 other than:

16 (a) an H class county;

17 (b) the state fairgrounds;

18 (c) an incorporated municipality within  
19 a metropolitan statistical area if the municipality's  
20 population is thirty thousand or more according to the most  
21 recent federal decennial census; and

22 (d) any area within ten miles of the  
23 exterior boundaries of a municipality described in  
24 Subparagraph (c) of this paragraph;

25 (8) "tier one area" means any municipality

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1 within the rural area if the municipality's population  
2 according to the most recent federal decennial census is  
3 twenty thousand or less;

4 (9) "tier two area" means any part of the  
5 rural area not a tier one area; and

6 (10) "wages" means wages as defined by  
7 Paragraphs (1), (2) and (3) of 26 U. S. C. Section 51(c).

8 D. With respect to each qualifying job for which  
9 an eligible employer seeks the rural job tax credit, the  
10 employer shall request the economic development department to  
11 certify the amount of wages paid to each eligible employee  
12 during each qualifying period, the number of weeks during the  
13 qualifying period the position was occupied and whether the  
14 qualifying job was in a tier one or tier two area. The  
15 economic development department may require the employer to  
16 submit such information as is necessary for the economic  
17 development department to make the certification requested.  
18 When the economic development department obtains sufficient  
19 information, either from its own records or from the employer,  
20 the economic development department shall make the  
21 certification requested.

22 E. The economic development department shall  
23 determine which employers are eligible employers and shall  
24 report the listing of eligible businesses to the taxation and  
25 revenue department in a manner and at times the departments

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1 shall agree upon.

2 F. To receive a rural job tax credit with respect  
3 to any qualifying period, an eligible employer must apply to  
4 the taxation and revenue department on forms and in the manner  
5 the department may prescribe. The application shall include a  
6 copy of the certification from the economic development  
7 department made pursuant to Subsection D of this section. If  
8 all the requirements of this section have been complied with,  
9 the taxation and revenue department may issue to the applicant  
10 a document granting a tax credit for the respective qualifying  
11 period. The tax credit document shall be numbered for  
12 identification and declare its date of issuance and the amount  
13 of rural job tax credit allowed for the respective jobs  
14 created. Such tax credit documents may be sold, exchanged or  
15 otherwise transferred and can be carried forward for a period  
16 of three years from the date of issuance. The parties to such  
17 a transaction shall notify the department of the sale,  
18 exchange or transfer within ten days of the sale, exchange or  
19 transfer.

20 G. The holder of the tax credit document may apply  
21 all or a portion of the rural job tax credit granted by the  
22 document against the holder's modified combined tax liability,  
23 personal income tax liability or corporate income tax  
24 liability. Any balance of rural job tax credit granted by the  
25 document may be carried forward for up to three years from the

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1 date of issuance of the tax credit document. No amount of  
2 rural job tax credit may be applied against a gross receipts  
3 tax imposed by a municipality or county.

4 H. Notwithstanding the provisions of Section 7-1-8  
5 NMSA 1978, the taxation and revenue department may disclose to  
6 any person the balance of rural job tax credit remaining on  
7 any tax credit document and the balance of credit remaining on  
8 that document for any period.

9 I. The secretary of economic development, the  
10 secretary of taxation and revenue and the secretary of labor  
11 or their designees shall annually evaluate the effectiveness  
12 of the rural job tax credit in stimulating economic  
13 development in the rural areas of New Mexico and make a joint  
14 report of their findings to each session of the legislature so  
15 long as the rural job tax credit is in effect.

16 Section 2. CONTINUED APPLICABILITY OF RURAL JOB TAX  
17 CREDIT. --The balance of any rural job tax credit granted with  
18 respect to qualifying periods occurring after July 1, 2004 or  
19 remaining on a tax credit document issued prior to that date  
20 may be applied after that date in the manner provided in  
21 Section 1 of this act against the holder's modified combined  
22 tax liability or corporate or personal income tax liability as  
23 if the provisions of Section 1 of this act were still in  
24 effect.

25 Section 3. DELAYED REPEAL. --Section 1 of this act is

1 repealed on July 1, 2004.

2 Section 4. EFFECTIVE DATE. --The effective date of the  
3 provisions of this act is July 1, 1999.

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